

[Book review] "David S. Landes, The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor"

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journal or publication title	The Developing Economies
volume	39
number	2
page range	223-227
year	2001-06
URL	http://hdl.handle.net/2344/488

BOOK REVIEWS

David S. Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*, New York, W.W. Norton & Co., 1998, xxi + 650 pp.

Economic development studied in conjunction with the history of economic growth can give us a richer understanding of the development process. Moses Abramovitz, Simon Kuznets, and Angus Maddison have produced important research using this combined approach. David Landes's book,¹ reviewed here, also falls into this category. It peruses the history of the world economy to analyze the causes for the disparities in the wealth of nations. The problem of whether or not there is convergence of income disparities among various economies has been examined in theoretical and empirical studies.² Landes's book looks at the history of economic growth for different countries over the past two thousand years relying on the accumulated results of quantitative economic history and economic growth theory. In effect his book can be regarded as a complement to theoretical studies of economic growth. In the historical analysis of economic development, there are studies that have looked for patterns of development that emerges from the quantitative data,³ and there are studies that have looked at institutional change using concepts of economic theory such as transaction cost.⁴ In his book Landes has conjoined quantitative economic history with institutional analysis to produce a fascinating historical overview of economic development. It has become difficult today to synthesis a range of research and provide a clear picture of historical periods and countries because of the specialization and demand for measurements and calculations that have come to characterize the social sciences. Landes's book is an effort by an authority in the field of economic history to produce such a synthesis.

Landes sets forth in the Introduction the problem he is going to deal with, which is to find out why there are disparities among countries in the benefits derived from knowledge and technology. He also attempts to clarify the economic consequences of the uneven technological development (pp. xvii–xxi). The book is essentially an historical analysis of the interaction between technological progress and society. It is composed of twenty-nine chapters. Chapters 1 through 3 comprise a section that examines the disparities among countries

¹ The 1999 paperback edition contains a supplementary section, "Epilogue 1999" (pp. 525–31). In this epilogue, the author considers the meaning of the current Asian crisis in the history of the world economy.

² See for example, Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth* (New York: McGraw-Hill, 1995), pp. 382–400.

³ See for example, Angus Maddison, *Monitoring the World Economy, 1820–1992* (Paris: Development Center of the Organisation for Economic Co-operation and Development, 1995).

⁴ See for example, Douglass S. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).

at the early stages of development; Chapter 4 examines the sources that generate development; Chapters 5 through 12 examine the consequences of relations between preindustrial Europe and other regions of the world; Chapters 13 through 25 examine modern economic development from the time of the Industrial Revolution until World War II; Chapters 26 through 28 examine economic growth since World War II; and finally Chapter 29 provides an historical overview of economic growth.

What Landes does in his book is essentially look at the mutual relationship between technology and society to analyze examples of countries that failed at economic development. The source of economic development is technological advancement. But such advancement requires more than making periodic one-shot innovations. The author argues that societies that succeed in development are those that can move toward the routinization of improving technology, and this view of technology is set forth in Chapter 14, "Why Europe? Why Then?" (pp. 200–212). In this chapter, as the title indicates, Landes presents the historical conditions for Europe's Industrial Revolution as a twofold question: How was it that any country could break away from customary methods of production and move to new production methods; and why was it Britain and not some other country that could make such a change? (p. 200). The author makes several points in answer to the first question: Europe had come to recognize the autonomy of intellectual inquiry; it had established a method for combining the perception of measurement, verification, and mathematized deduction (p. 203), and this methodology cut across cultural boundaries; improvement and research became an ongoing undertaking, i.e., it was routinized and diffused into the society, or what Landes conceives of as "the invention of invention," meaning "the routinization of research and its diffusion" (p. 201). There is a danger when focusing on technological innovation of seeing it as something separate from daily routine work. But Landes's concept is interesting because it compels us to question the idea that "innovation" and "routine" are a dichotomy. How a social environment arises that is conducive to the above points is bound up with the success of economic development.

In Chapter 15 Landes examines the factors for Britain's Industrial Revolution, and he sees the following social conditions as providing a suitable environment for economic growth and development: operating, managing, and building production facilities, and nurturing and mastering techniques on the frontier of technology; transferring the understanding of production to younger generations; selecting and promoting personnel on the basis of performance; affording opportunities for individual as well as group endeavors; and allowing people to enjoy the fruits of their own labor (p. 217). To create such social conditions, Landes says a society has to: secure rights of private property to encourage saving and investment, secure personal liberty, enforce rights of contracts, maintain political stability which does not necessarily have to be by democratic means, have a government that is responsive to social grievances, treat people equitably and not favor some over others, and have an efficient and effective government (pp. 217–18). Also Britain was quick to form itself into a nation state, and Landes feels that this contributed to fostering the conditions for development and bringing together the benefits of the individual with those of society. The start of modern economic growth intensified the disparities in wealth between nations, and in Landes's opinion, the present day has brought only a partial convergence of these disparities. The reason for this is because in any period of time there are countries that are

succeeding at economic development and those that are failing, and he gives examples of failures:

- Britain, which lost its competitiveness because it went against the principles of free trade by protecting domestic industries and nationalizing inefficient ones (Chapter 26, "Loss of Leadership," pp. 450–59);
- Latin America, which relied on import substitution industrialization but neglected to improve the quality of its enterprises and its technological capabilities (Chapter 28, "Losers," pp. 492–95);
- The countries of the Communist-Socialist bloc (the Soviet Union and the countries in Eastern Europe) which used a planned economy to concentrated its resources only in certain industrial sectors (Chapter 28, "Losers," pp. 495–99); and
- Sub-Sahara Africa, which fell into economic crisis because of the absence of capable governments (Chapter 28, "Losers," pp. 499–511).

The main argument Landes is making in his book, as I understand it, is that economic development takes place where there is accumulative technological progress, and this is promoted by the profit motive, by ensuring the rights of private property, exploiting one's comparative advantages, and routinizing innovation (i.e., the routinization of research and its diffusion); and any country that goes against these principles loses its international competitiveness. But it is not the market economy itself that guarantees development. What Landes sees as important are the social conditions that lead to the successful development of the market. In Chapter 28 he looks at the experiences of countries that failed at development, but he is critical of the idea that they failed because they did not put into place the needed fundamental economic conditions (an idea which is close to the stance previously taken by the World Bank when it compelled countries to carry out adjustments). Landes recognizes the importance of improving the macroeconomic framework of an economy through realistic and competitive exchange rates, small budgetary deficits, and low barriers to trade, but he focuses on the political and social conditions that can carry out these improvements and institutional building (p. 492). Landes's concept of comparative advantage is different from the ordinary meaning used in economic theory (which is that a country will produce those goods having the cheapest production costs relative to the country's factor endowments). For the author the concept is broader and means the ability to make more money doing one thing rather than another (p. 232, footnote). To obtain these profits a country has to acquire the necessary technology, control the quality of its products, and have a suitable labor force. This is the viewpoint taken in Chapter 27, "Winners and . . ." (pp. 465–90), which looks at the development pattern of countries (Germany, Japan, and East Asia) that achieved rapid economic growth after World War II.

In his closing chapter, Chapter 29, "How Did We Get Here? Where Are We Going?" (pp. 512–24), Landes draws together the various skeins of his study and the lessons that can be learned from the history of economic development. Important points that the author focuses on are that disparities in wealth between certain countries are narrowing, but at the global level these disparities remain large; that the benefits from trade remain unequal; that regardless of what economic theory assumes, the import and export of jobs has a greatly different impact on the human element than does the import and export of goods; and that comparative advantages of countries can and do change. The author also points out that a fundamen-

tal impetus moving economic development along is sensitivity to market stimuli. He also notes that in every society there are people who want to enjoy the fruits of production but do not care to contribute to this production, and in Landes's view the only recourse for checking such behavior is moral teaching and vigilant oversight (p. 522).

In Landes's view of history, the source of modern economic growth comes out of the peculiar conditions that existed in Europe. Arguably such a view underrates the latent possibilities for development existing in the non-European world. Chapter 8, "Bittersweet Isles" (pp. 113–24), provides a good example of the author's viewpoint. In this chapter Landes examines the Atlantic trade system built on the Caribbean sugar industry and its influence on Europe's industrialization. Landes stresses that the sugar plantations and the slave trade, and the Atlantic trade resting on them, were composed of numerous elements, and that the trade in slaves was only one part of the whole sugar trade. He then asserts that the sugar plantations and their concomitant slave trade were neither a necessary condition nor a sufficient condition for Europe's industrialization. In his view Britain had in place the fundamental conditions for its Industrial Revolution, and these would have been there even if the Atlantic trade system had not existed. He uses this perception of history to criticize the dependency theory (pp. 327–28).

In Chapter 24, "History Gone Wrong?" Landes examines the difference in the way European and Islamic societies have dealt with industrialization. He contrasts the pursuit of technology and the profit motive in European societies with the adherence to old methods and the priority of religious faith in Islamic societies (especially in the Middle East) and their inability to break free from Islamic religious traditions and make use of their female human resources (pp. 393–413). Such perceptions are likely to arouse protests from among researchers who support dependence theory and scholars in the Islamic world. But Landes's intention is to use comparative studies of historical development to point out the social conditions that promote industrialization, and this is what makes the book interesting. Moreover, it provides a wealth of examples of individual countries, and even people working in development economics will find the book suggestive for further empirical research.

Before closing there are a couple of critical comments I would like to make. One is that while accepting that the social conditions of a particular country are bound up closely with development, I think Landes has not taken into sufficient consideration the relationships of that country with the countries surrounding it. Landes has undertaken a comparative history of economic development for a wide range of countries and regions, but he has focused largely on the role played by the distinctive factors existing in Britain. However the feeling I got when reading the book was that other countries as well have had a fair number of factors in common with Britain. In a great historical phenomenon like the Industrial Revolution, there are a multitude of complex factors at work, far more than can be grasped and understood, and arguably it could be these ill-understood factors that have accounted for the great disparity among nations. Also it seems that Landes has included among the conditions needed for a society to develop, those which in and of themselves are not sufficient to guarantee development. It seems there would have to be other necessary factors to act as triggers. In this sense, given the great national interdependence that as come to characterize the global economy since World War II, factors like exchange rate fluctuations and capital movements, which are beyond a nation's control or cannot be anticipated beforehand, can

greatly impede economic development. I also feel that researchers specializing in those countries and regions that Landes has declared as losers will find the author's verdict in Chapter 28, "Losers" (where he surveys the experiences of countries that failed at development) as a little too harsh on developing countries.

A second comment is that this book does not say enough about the effects that the institutional structures of distribution (such as those for distributing assets and income) have on development, or the effects that the form of assets distribution at the early stage of development has on later assets distribution and economic growth. The World Bank, in its book *The East Asian Miracle*, has analyzed the effectiveness of distribution policies (education and land reform) on economic growth.⁵ More research on this problem from a historical standpoint would contribute greatly to the subject, and would be welcomed research that would supplement Landes's work.

The Wealth and Poverty of Nations surveys in an easily readable style the history of world economic growth, and offers worthy suggestions and food for thought on numerous controversial issues of economic growth. The book also contains a comprehensive bibliography which will be useful especially for researchers who are just beginning to undertake research on economic matters of a particular time period or region of the world. Thus this book will appeal to a broad readership and be a useful aid for study. (Hiroki Nogami)

⁵ World Bank, "An Institutional Basis for Shared Growth," chap. 4 in *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press published for the World Bank, 1993).

Lee Kam Hing and Tan Chee-Beng, eds., *The Chinese in Malaysia*, Shah Alam, Selangor, Oxford University Press, 2000, xxix + 418 pp.

In the foreword of this new book, Professor Wang Gungwu, a prominent scholar of overseas Chinese studies, writes that this volume of fourteen essays is the first book on the Chinese in Malaysia to be written in English by local scholars of Chinese descent, and moreover is the first book in English since Victor Purcell's *The Chinese in Malaya* of 1948. In 1998 a three-volume history written in Chinese, *A New History of the Malaysian Chinese*, was published in Kuala Lumpur. Professor Wang comments that these two collections of studies exhibit a degree of convergence in views, or a common grasp of the nation-building realities, which would not have been possible fifty years ago when there existed an antagonism between the Chinese who had been Chinese educated and those with an English education.

In the introduction following Professor Wang's foreword, the editors of the book refer to the speciality of the Malaysian Chinese who form the largest proportion of ethnic Chinese outside of Singapore, and who have been able to maintain their distinctiveness. The editors suggest that the broad diversity of the Chinese in Malaysia needs an especially wide range of studies. In this sense this comprehensive work on the Malaysian Chinese can be regarded as a long awaited and much needed study, and can be regarded as an epochal work not only